Republic of Palau
Office of the President

Tommy E. Remengesau, Jr.
President

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June 12, 2019
Serial No. 19-1103

The Honorable Hokkons Baules
President of the Senate
Tenth Olbiil Era Kelulau
Ngerulmud, Palau National Capitol

Subject: Signing Statement for SB 10-23, HD2, PD1

Dear President Baules:

I am proud to sign into law SB 10-23, HD2, PD1, a bill that will increase the fee charged to foreign yacht owners and cruise ships entering Palauan waters. This new law will align Palau's tax structure with the normative market rate and ensure that we receive our fair share from those profiting off Palau's natural beauty.

I also want to express my appreciation for your consideration of my suggested amendments to the bill. With the adoption of these amendments, high-end investors and high-value visitors with yachts in Palau will not be forced to leave after 90 days, but instead, consistent with our national strategy, can prolong their stay and contributions to Palau's economy. While this change does not only create a practical revenue stream from the yacht fees, it will also help our environmental goal of keeping Palau a Pristine Paradise by reducing the number of vessels that take advantage of the low fees to park foreign vessels in the Republic without providing Palau with commensurate benefits in return.

Your adoption of my proposed amendments also ensures that there will be appropriate regulations and enforcement of this new law so that Palau will receive the law's intended benefits.

Thank you for your leadership in passing this bill and helping to ensure that Palau will be able to be more appropriately compensated for the use of its national waters.

Sincerely,

Tommy E. Remengesau, Jr.
President of the Republic of Palau

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June 12, 2019
Serial No. 19-1103

The Honorable Sabino Anastacio
Speaker of the House of Delegates
Tenth Olbiil Era Kelulau
Ngerulmud, Palau National Capitol

Subject: Signing Statement for SB 10-23, HD2, PD1

Dear Speaker Anastacio:

I am proud to sign into law SB 10-23, HD2, PD1, a bill that will increase the fee charged to foreign yacht owners and cruise ships entering Palauan waters. This new law will align Palau's tax structure with the normative market rate and ensure that we receive our fair share from those profiting off Palau's natural beauty.

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Your adoption of my proposed amendments also ensures that there will be appropriate regulations and enforcement of this new law so that Palau will receive the law's intended benefits.

Thank you for your leadership in passing this bill and helping to ensure that Palau will be able to be more appropriately compensated for the use of its national waters.

Sincerely,

Tommy E. Remengesau, Jr.
President of the Republic of Palau

RPPL NO. 10 - 38

The Senate

TENTH OLBIIL ERA KELULAU

P.O. Box 8, Ngerulmud
Republic of Palau 96939

First Regular Session

January 2017

INTRODUCED AS SENATE BILL NO. 10-23, HD2, PD1

AN ACT

SEE TITLE INSIDE

INTRODUCED BY SENATOR (S) Regis Akitaya, Rukebai K. Inabo, J. Uduch Sengebau Senior, Mason N. Whipps, Stevenson J. Kuartei, Frank Kyota, Camsek E. Chin and John B. Skebong ET, AL.,

DATE INTRODUCED February 14, 2017

SENATE ACTION

FIRST READING:	February 14, 2017
REFERRED TO:	Ways and Means and Financial Matters
STANDING COMMITTEE REPORT NO.:	10-21
DATE ADOPTED:	April 6, 2017
SECOND READING:	April 6, 2017
LEGAL FORMAT:	Proper
REVIEW:	April 7, 2017
THIRD READING:	April 11, 2017
FINAL READING:	June 11, 2019

HOUSE ACTION

FIRST READING:	April 18, 2017
REFERRED TO:	Energy, Communication and Transportation
STANDING COMMITTEE REPORT NO.:	10-31
DATE ADOPTED:	July 28, 2017
SECOND READING:	July 28, 2017
LEGAL FORMAT:	Proper
REVIEW:	July 31, 2017
THIRD READING:	March 22, 2018
FINAL READING:	June 11, 2019

CONFERENCE COMMITTEE ACTION

DATE:	None
COMMITTEE REPORT NO.:	None
DATE PASSED:	None
FINAL READING:	None

Ann L. Pedro
CLERK OF THE SENATE

Marcello Ngirkelau
CLERK, HOUSE OF DELEGATES

TENTH OLBIIL ERA KELULAU

First Regular Session, January 2017 RPPL No. 10 – 38
(Passed as Senate Bill No. 10-23, HD2, PD1)

AN ACT

To amend Section 1405 of Title 40 of the Palau National Code to restructure the cost, duration of validity, and classifications of vessels for the tax assessed to foreign owned private yachts and cruise ships entering the Republic, and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT AS FOLLOWS:

Section 1. Legislative Findings. The Olbiil Era Kelulau finds that there are many foreign owned yachts entering the Republic and many of these vessels are available for charter and charge as much as two hundred and fifty thousand dollars ($250,000.00) per week. If the operators of these yachts are profiting from Palau's natural beauty, the Republic should take part in a portion of those profits. The Olbiil Era Kelulau also finds that other islands also known for their natural beauty are charging much higher entry fees for foreign water vessels; for example, the Marshall Islands charge $230 per day, Guam charges $7 per day, and the Bahamas charge $150 for vessels up to 30 feet and $300 for vessels over 30 feet. In order to become a high-end tourism destination, the Republic of Palau must charge fees similar to these other nations to attract high-end tourists and to leverage revenues that can be used to improve the Republic's infrastructure so that it can support such tourism.

Section 2. Amendment. Section 1405 of Title 40 of the Palau National Code is hereby amended as follows:

"§ 1405. Foreign water vessel tax.

(a) Definitions. In this section:

(1) "Cruise ship" means a passenger ship used for pleasure voyages, where the voyage itself and the ship's amenities are a part of the experience, as well as the different destinations, or ports of call, along the way.

(2) "Liveaboard" means a commercially operated boat that provides an inclusive dive program for paying customers with lodging and meal services aboard the boat.

(3) "Private yacht" means any yacht not for hire and not engaged in trade or commerce but which operates for private use, pleasure, or recreational purposes.

(4) "Water vessel" means every description of watercraft owned or operated by a nonresident and used or capable of being used as a means of transportation on water or to be leased or sold in the Republic.

(b) There is hereby assessed and levied a tax to be paid for every water vessel that qualifies as a private yacht or cruise ship entering the territorial waters of the Republic and not expressly excluded by this section. Water vessels lawfully operating as common carriers are exempted from levy, assessment and payment of the tax imposed under this section. Liveaboards and traditionally built private yachts, as defined in regulations promulgated by the Ministry of Public Infrastructure, Industries, and Commerce, are exempted from levy, assessment and payment of the tax imposed under this section.

(c) All water vessels that are classified as private yachts or cruise ships and not expressly exempt by this section shall pay an initial entry tax to remain in the Republic for up to thirty days, and must pay a renewal sum to remain in the Republic for each additional thirty day period. Subject to relevant exceptions under law or regulation, unless the owner of a private yacht or cruise ship is a business owner in the Republic of Palau, or has otherwise paid a fee to the Bureau of Customs and Border Protection as set forth in regulations promulgated by the Ministry of Public Infrastructure, Industries, and Commerce, no private yacht or cruise ship shall remain in the Republic longer than 90 days. The following tiered tax system is based on the length of the water vessel and applicable to all private yachts and cruise ships not expressly excluded by this section:

(1) vessels below 40 feet in length shall pay an initial tax of $250 for a visit lasting thirty days or less, the cost of first renewal shall be $1,000 and a second renewal shall be $2,000.

(2) private yachts 40 feet or more, but less than 90 feet in length shall pay an initial tax of $500 for a visit lasting thirty days or less, the cost of first renewal shall be $1,000 and a second renewal shall be $2,000.

(3) private yachts 90 feet or more, but less than 150 feet in length shall pay an initial tax of $750 for a visit lasting thirty days or less, the cost of first renewal shall be $500 and a second renewal shall be $250.

(4) private yachts 150 feet or more in length shall pay an initial tax of $1000 for a visit lasting thirty days or less, the cost of first renewal shall be $500 and a second renewal shall be $250.

(d) The tax structure of subsection (c) shall be incrementally implemented as follows: for the first year following the effective date of this Act, the Republic shall assess 50% of the tax amounts; for the second year following the effective date of this Act, the Republic shall assess 75% of the tax amounts; for the third year following the effective date of this Act and every year thereafter, the Republic shall assess the full tax amount.

(e) The Ministry of Public Infrastructure, Industries, and Commerce shall promulgate regulations necessary to enforce the provisions of this Section, and shall also be responsible for enforcing the provisions of this Section."

Section 3. Effective date. This Act shall take effect ninety days after either approval by the President of the Republic of Palau or its becoming law without such approval.

PASSED: June 11, 2019

Approved this 17th day of June, 2019.

HE ~~Tommy~~ E. Remengesau, Jr.
President
Republic of Palau